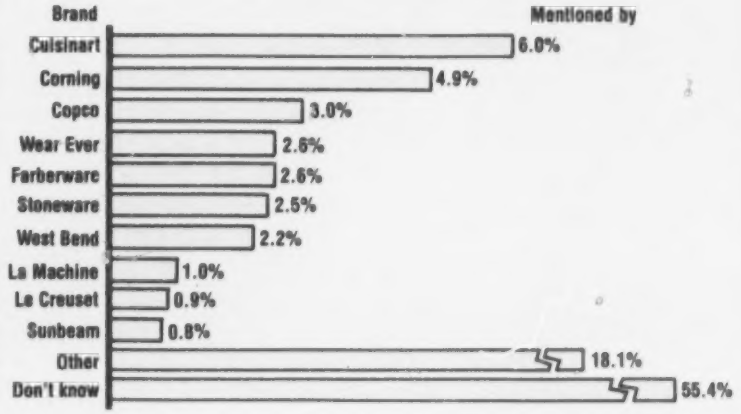
Most gourmet cookware shoppers are unaware of brand names



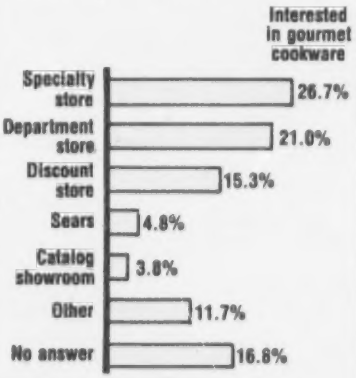
Source: *Chain Store Age*/Leo Shapiro & Associates

a cookware brand at all. Those mentioned include Cuisinart, Corning, Copco, WearEver, Farberware and Le Creuset. Shoppers under 30 seem to have the best knowledge of brand names, but awareness decreases with age. Seven out of 10 shoppers over 50 were unable to respond to the brand name question.

Shoppers know, however, what material they want their cookware made of: 34.9% chose stainless steel, 12% copper and 11.6% SilverStone. Cast iron was mentioned by 7.2%. Currently, according to industry sources, the fastest-growing cookware sold is made of stainless steel, although both copper and aluminum are better heat conductors. But copper tends to discolor and needs periodic polishing, and certain egg-based recipes cooked in aluminum tend to discolor.

When asked for an example of gourmet cookware, woks were mentioned by the largest number of consumers interested in specialty cookware (31.8%), but 14.9% of those under 30 described gourmet cookware as "out of the ordinary, overpriced cooking vessels for fancy food." The majority of all shoppers polled (51.4%), however, could not answer the question, and there was great disagreement about the number of pieces of cookware necessary to complete a kitchen. While 13.6% of interested shoppers said one piece was enough, 11.6% said four pieces was the minimum. Two out of

Shoppers divided on where to buy gourmet cookware



Source: *Chain Store Age*/Leo Shapiro & Associates

10 consumers under 30 said five pieces were enough. Men favored a larger selection, with 16.2% choosing six pieces, while 15.6% of women said just one.

Shoppers under 30 seem to have the broadest knowledge of brand names

Specialty and department stores get the lion's share of the business among consumers polled, but 15.3% of interested shoppers said they would buy at discount stores. This could mean good news for upscale discounters toying with the idea of bringing in some gourmet lines (Bradlees and Caldor are already moving into this area).

Consumers surveyed expected to spend an average of $122 on cookware. Shoppers under 30 showed less inclination to shop discounters—only 7.8% mentioned them—but they also expected to pay more for gourmet cookware, averaging $160.

With 8%-12% of Americans eating and cooking gourmet, it's a market that even basic retailers can't ignore. Department stores could lose out on sales if they leave the business to specialists. But the trend bodes well now mainly for specialists like Crate and Barrel and The Pottery Barn, which already cater to this upwardly mobile class of shoppers. The people powering this move—mostly the young with good incomes—are rather insulated from economic variables, indicating a stable growth potential.

Retailers must work hard to educate consumers. In-store demonstrations are important as packaging remains insufficient to teach shoppers about a product. Nevertheless, even with foods, packaging is important. Foodworks' Freed estimates that fancy labels and bottles can add up to 40% to the actual production costs of some food items.

Another potential traffic and sales builder is to closely merchandise housewares and foods, but many department stores separate these areas. With 42.7% of consumers who buy gourmet foods aware of gourmet cookware, and since both categories are highly impulse-oriented, cross-merchandising could increase sales.

R. H. Macy is a prime example of a retailer that effectively groups the two categories in its "Cellar." Davison's, Macy's Atlanta division, opened its version of The Cellar in its flagship store last fall in place of the old budget store. The Krups and Cuisinart lines have been expanded, as have better lines in glassware and copper, targeted to appeal to the upscale shopper. A Davison's spokesman notes the response so far has been "overwhelming." □

Young, upscale shoppers show the most interest in kitchen knives and cutlery.

Cutlery edges out gourmet machines

When consumers make up shopping lists for housewares needs, ice cream makers and espresso/cappuccino makers are very low on the list. Kitchen knives and cutlery fare better, according to the *Chain Store Age*/Leo Shapiro & Associates poll.

Knives appear to be more of a staple, generating more interest among consumers than gourmet machines. Of consumers polled under age 30, 20.1% said they needed knives, a necessity when setting up a home for the first time. Interest in knives decreases with age, with only 7.4% of shoppers over 50 expressing this same need. Consumers mentioned Chicago Cutlery, Ekco, Sheffield and Old Hickory as brands they would buy.

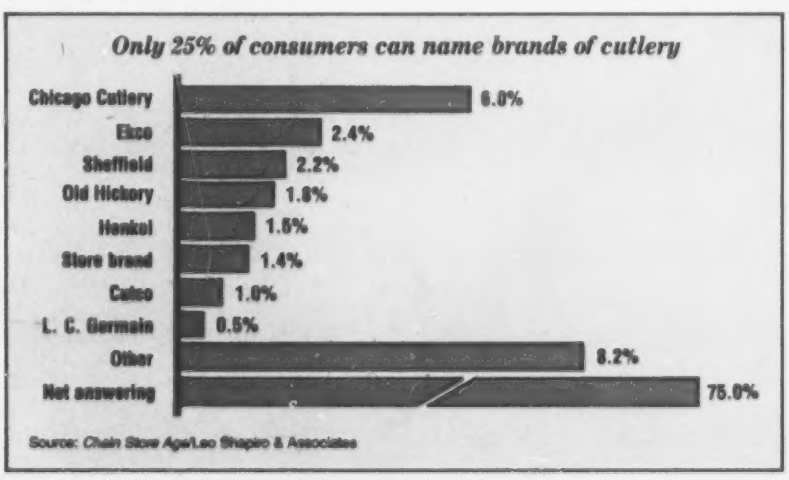
Consumers under 30 are more likely than older shoppers to buy cutlery at discounters (mentioned by 19.5%), but 13.8% also picked department stores. The largest group of young consumers expected to pay $26 for a set of knives, with the average expenditure hitting $37.

On the other hand, 9 out of 10 consumers surveyed were not interested in ice cream and espresso makers. These products seem to be rather unfamiliar to shoppers, with 8 out of 10 consumers unable to name a brand for either product. Consumers who did name specific brands mentioned manufacturers like GE and Sunbeam—but neither of these companies makes an espresso machine, and only Sunbeam has an ice cream maker!

Consumers are also largely unaware of the machines' price tags. The largest percentage expected to pay $21-$26 for an ice cream maker. But the least expensive models—electric ones requiring table or rock salt—retail for $25-$40. A gourmet machine like the Simac I1 Gelataio 1600 (a brand not mentioned by surveyed consumers) has a hefty retail tag of $350.

Consumers show a similar lack of awareness about the price of espresso machines. Again, the magic price point is $21-$26, but prices at Bloomingdale's, for example, range from the Morenita three-cup stovetop model priced at $16 to the $400 Krups Espresso. The trendy retailer carries about a dozen sku's of espresso machines priced between these two extremes.

Upscale shoppers show the most interest in these three products. Five out of 10 who indicated interest in knives and ice cream makers have incomes over $20,000, and 73.8% of households considering espresso machines have family incomes of $20,000 or more. Men are more interested in espresso machines than women. □



Goods & Co.: the good get better

It's not just the Hudson River that separates New York and New Jersey. Many retailers drowned crossing the river before anyone discovered that geographic proximity doesn't necessarily mean identical consumer preferences.

This is the reasoning of Stanley Skriloff, president of New Jersey-based Goods & Co., a five-store housewares specialty chain. Up until last September, the stores were part of The Pottery Barn chain in New York, but last year Skriloff felt that The Pottery Barn management was following a marketing direction that just wasn't suitable for his New Jersey division. "The Pottery Barn ran advertised items in the *New York Times* featuring promotional

Old reliables score strong sales

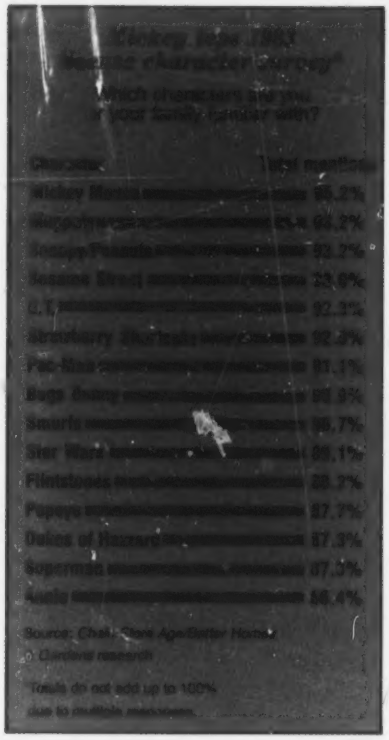
©Disney Productions

There are always, it seems, an army of new licenses on the market. Nevertheless, old reliables such as Snoopy and the Peanuts gang, Superman and Mickey Mouse have managed to hold their own against aggressive newcomers.

In a 1983 *Chain Store Age/Better Homes & Gardens* consumer survey, Mickey Mouse was the most frequently recognized licensed character. Of the survey's top 15 characters (out of a total of 38), seven were oldtimers.

Milwaukee's Roger Bodart, the owner of two all-licensed character shops called Cast of Characters, says that relative newcomers Garfield and Smurf have joined the ranks of staple licensed characters: Garfield accounted for 28% of Bodart's character merchandise sales last year, and Smurf logged 18%. Other big sellers are the Hello Kitty line (18%), Snoopy (6.5%) and Ziggy (3.5%).

Last year's toy sensation, Cabbage Patch, is not on the *Better Homes & Gardens* and Cast of Character lists—the former survey was conducted before Cabbage Patch's holiday season success, and Bodart does not stock the popular doll.



and are now playing rock and roll star. L.J.N. Toys Ltd. is making a Michael Jackson wireless microphone, which has become a hit of sorts among Toy Fair watchers. (Any AM radio can be used as a speaker with the microphone.) But not to be outdone, Playtime has produced a Cabbage Patch wireless microphone. And when the kids tire of singing like their favorite stars, they can listen to the real thing on their Cabbage Patch or Knight Rider record player.

Cabbage Patch certainly made its presence felt at the fair. Hartford-based Coleco Industries Inc. has produced new lines based on the popular doll, ranging from Cabbage Patch pets to strollers. Retailers feel they are facing some hard choices: They can't carry everything, yet they don't want to be caught short.

One person who doesn't want to repeat a supply shortage situation is moviemaker Steven Spielberg. For the first time, Spielberg has issued a license to coincide with the release of his films. This time it's *Indiana Jones and the Temple of Doom* and *Gremlins*, a movie that retailers say may spawn another *E.T.*-like product explosion. But unlike *E.T.*, whose licensed products were produced after the movie was released, L.J.N. and Spielberg are already unveiling the new *Gremlins* merchandise. □

GARFIELD and COMPANY

LOOK AT THE COMPANY WE KEEP

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Bright profits for pricey flashlights

***Tired of low-end lights** that don't work, shoppers are trading up to premiums.*

As with cigars, Americans have had a long-standing love affair with the good, preferably cheap flashlight. But in the past year, the nation's major lighting manufacturers have introduced new flashlight lines in the $5-$11 range, hoping that consumers will be willing to pay more than 99¢ for a product that could spend most of its working life tucked away in a kitchen drawer.

The new products are called premium flashlights, which manufacturers say are more durable, shine brighter and carry guarantees ranging from two years to a "lifetime." According to Michael C. Plautz, director of marketing/lighting products for Wisconsin-based RAYOVAC, the premiums offer an opportunity for retailers and manufacturers to generate more dollars from this traditionally slow-growth category.

Indeed, the greatest growth in the flashlight industry appears slated for the premium classification. According to a National Lighting Device Audit survey, provided by RAYOVAC, the industry's four-year ('82-'85) compound sales growth rate will be an estimated 9.4%. Meanwhile, sales volume for flashlights is expected to increase an average of 22% annually during the same four-year period. The premium flashlight lines, in fact, are expected to increase their share of the total flashlight market almost 40%, from 31% of the category's sales in 1982 to an estimated 43% of the market in 1985.

One reason for the shift is that flashlight owners are dissatisfied with the failure rate of the low-end products. "There has been very little innovation in the product category," says Ted Feightner, product manager for Durabeam lighting products. "The consumer is really dissatisfied with the current lighting market. They're finding out that low-end flashlights just don't last very long. If they're looking for quality, they seem to be willing to pay for it."

Shelf wars: The arrival of the pricey lights may force manufacturers to scramble for space. RAYOVAC's Plautz contends his company will not sell to retailers who plan to replace the manufacturer's low-end lines with the company's premium flashlights (they're introducing three new models).

But there won't be room for everyone, according to Garr Van Doren, product manager for Ever-Ready lighting products. "I suspect that the trade will only go with one or two," he says.

Garr, however, scoffs at the suggestion that the premium lines will make a significant impact on the flashlight market. "The cheap, dollar flashlight will still be the consumer favorite," he says, adding that EverReady owns more than 50% of the low-end flashlight market among food, drug and mass merchandising chains.

"We don't see this [premium flashlights] as being the true action in the market," he says. "The action is in the low-end market." □

Premium flashlights increase market share*

Type	1982	1983	1984[1]	1985[1]	% change 1982-85[1]	% compound growth 1982-85[1]
Premium	$27	$29	$ 39	$ 48	+81.5	+22.0
Medium	29	28	27	25	−13.8	− 4.8
Low-end	31	36	38	40	+29.0	+ 8.7
Total	87	93	104	114	+31.0	+ 9.4

*Dollar figures represent millions of dollars [1]Estimated
Source: National Lighting Device Audit (1982-83)

Photo accessories score high marks

It doesn't take much time or space to sell a photo album. The photo department clerk doesn't have to be concerned with explaining F-stops or displaying the picture books in eye-catching glass cases. But photo albums make money. In a *Chain Store Age* /Lebhar-Friedman survey, discount store photo/camera buyers report that photo albums produce a 32% gross margin and 5.8 stock turns per year. This contrasts with total photo department margins of a *CSA*-estimated 16.7% and 4.2 stock turns.

General merchandisers have known for quite some time that a photo section's productivity hinges on the sale of camera accessories, film and film processing. Earlier this year *Chain Store Age* asked buyers from department, discount and variety stores to report the results of product categories ranging from camera lenses to disc cameras (see following story).

According to the survey, the average photo department is about 200 sq. ft., ranging from a low of 50.6 sq. ft. for a variety store to 310.4 sq. ft. in a department store. The money-making accessories, however, take up a relatively small percentage of this space. For example, camera carrying cases—which buyers say produce 33.4% gross margins—account for only 11.5% of the space in a photo department.

The following is a breakdown of the accessory classifications as reported by the buyers surveyed:

- **Photo albums:** This staple category, which is often cross-merchandised in the stationery department, logged the highest gross margins (33.9%) in the survey as well as the most frequent stock turn rate (5.3). But some retailers were reporting better numbers. For example, 45% of the buyers surveyed said they logged gross margins of 36%-50% for photo albums.

The best-selling brands, retailers say, are Holson and various import brands. About 18% mentioned the imports, followed by Holson (13%), Springfield (8%) and Pioneer (5%).

***Though profitable,** accessories get only limited space in photo sections.*

Among retail classifications, Holson showed more strength in department stores. About 20% said Holson was the top-selling brand, followed by the imports (15%) and Norwood (10%).

- **Camera carrying cases:** This accessory is another high margin/high turn accessory. Although the survey's average margin for carrying cases was 33.4%, just under a third of the buyers asked reported margins ranging from 36% to 40%, while another 11% said they produced margins of 46%-50% for carrying cases.

Buyers in a recent *CSA* survey rated classifications and named the best sellers in each

By far the best-selling camera bag was produced by Coast, named by more than 30% of the buyers asked. Kodak was next (15%), and Service (11%) was third.

- **Camera lenses:** This is a tricky category for GMers. While the margins for camera lenses are higher than average for the photo classification, retailers have to be price-competitive with specialty outlets as well as offer an extensive selection to attract business from hobbyists and serious amateurs. As a result, many GMers—especially discounters—have dropped the line.

Lenses, however, appear better suited to department stores, which can offer both service and selection. This is reflected in the survey. Not only do camera lenses garner the highest margins in department

Zoom lenses top sellers

Lens type	Average[1]	Department store	Discount store	Variety store[2]
Zoom lens	36%	18%	54%	—
Macro-zoom lens	32	32	31	—
Telephoto lens	15	41	—	48
Wide-angle lens	12	9	15	28
Don't know	5	—	—	4%

[1]Does not equal 100% due to rounding [2]Small base
Source: *Chain Store Age*/Lebhar-Friedman research

Buyers name Coast most popular camera case

Brand	Average	Department store	Discount store	Variety store*
Coast	31%	35%	38%	—
Kodak	15	4	21	28
Service	11	13	8	14
Diamond	4	4	4	—
Polaroid	4	4	4	—
Kiwi	4	4	4	—
Canon	2	4	—	—
Private label/store brand	2	4	—	—
Brand not specified	13	13	4	14
All other mentions	9	4	17	43
No answer	4	9	—	—

*Small base
Source: *Chain Store Age*/Lebhar-Friedman research

Accessories score photo department profits

	Turns				Gross margins			
	Average	Department store	Discount store	Variety store*	Average	Department store	Discount store	Variety store*
Photo albums	5.3	4.7	5.8	4.5	33.9%	37.6%	32.0%	32.4%
Carrying cases	4.3	3.3	5.0	4.0	33.4	37.7	31.9	38.0
Camera lenses	3.3	3.9	3.0	1.5	23.4	26.1	19.7	18.0
Photo-developing equipment	3.2	3.5	3.0	N/A	28.0	29.7	28.0	N/A
Film-processing	—	—	—	—	28.7	32.2	31.3	24.7

*Small sampling base N/A: not applicable
Source: *Chain Store Age*/Lebhar-Friedman research

stores, which is not unexpected, but they have the most frequent stock turn rate among the three GM classifications—3.9 turns at department stores compared with 3 turns for discount outlets.

The zoom and macro-zoom lenses continue to be the most popular among shoppers, buyers say. About 35% of those asked said the zoom lens was their chain's best-selling lens, while 32% named the macro-zoom. The telephoto lens showed more strength in department stores—more than 40% of department store buyers said it was the best-selling line.

Meanwhile, the wide-angle lens was the weakest of the four. Only 12% of the buyers surveyed named it as the top-selling camera lens.

• **Photo-developing equipment:** Darkroom equipment was the weakest of the accessory categories—only 11.5% of the buyers surveyed said they stocked the equipment. Of those buyers who carry photo-developing products, 46% reported margins between 26% and 40%. One-quarter of department store buyers, in fact, said darkroom equipment margins ran as high as 46%-50%.

But although many GMers have dropped the category, about 55% of the buyers surveyed said photo-developing equipment sales are on the rise.

• **Film-processing:** The introduction of the new high-speed color films by Kodak and Fuji has stirred interest among amateur photographers, which is good news for photo departments. Gross margins for film, buyers say, average 32.2% for department stores and 31.3% for discount outlets.

The 1982 introduction of the disc camera also jolted film sales and a subsequent increase in photo-processing. More than 50% of the buyers surveyed said film sales have increased as a result of the disc.

But some of the photo-processing dollars may be going to the one-hour photo labs. More than 22% of the buyers surveyed said their photo-processing business decreased as a result of one-hour labs, but most said they have had little or no impact. More than 70% of the buyers said their photo-processing business has either increased or has not been affected despite competition from the so-called mini-labs. □

K mart to expand mini-lab test

In an effort to increase the profitability of its photo-finishing operations and stem competition from the so-called one-hour photo-processing operators, K mart has plans to expand its experiment with in-store mini-lab equipment.

There are now 13 labs in stores in Detroit, Toledo, Ohio and Saginaw and Ann Arbor, Mich. According to a company spokesman, another 11 locations may receive the equipment by the end of the year.

Photo-processing is a big business for discounters, but it's also a business that has become increasingly co: etitive over the past few years. One source of competition is the mini-lab operators who promise customers finished color photographs in a mere 60 minutes.

In 1982, K mart moved to capture the one-hour market by launching a two-store experiment. But although the stores contained the one-hour equipment, chain officials did not advertise the service. The stores housing the equipment also served as labs for surrounding K marts. Although customers were told they could have their order back in an hour, few used the service. "If 10% took advantage of it, that's a lot," says a spokesman.

But in the 11 proposed sites, K mart will begin to market the new service by creating a specific counter for the labs and advertising the "while you shop" photo-processing service.

The K mart spokesman, who did not reveal specific statistics, said gross margins for film-processing labs "increased significantly" since the introduction of the new equipment. □

***Disc cameras** have created serious problems for sales of instant models.*

Discs set photo sales spinning

A K mart camera clerk placed two photographs side by side on the counter. One noticeably grainy print was from the Kodak 4000 model disc camera; the other, sharper print was from a low-end 35mm auto-focus camera. "Usually when I show shoppers the better-quality 35mm picture, I can talk them into spending a little more to buy the 35mm camera," the clerk explained.

The trade-up opportunities are only one impact of the disc-type cameras that were first unveiled by Rochester, N.Y.-based Kodak in 1982. The introduction has been a shot in the arm to photo retailers, who say it has not only stimulated camera sales, but has increased film sales as well.

More than 50% of the department, discount and variety store buyers surveyed by *Chain Store Age* said film sales have increased as a result of the disc camera introduction. The effect, however, has been more deeply felt by discount stores. Some 70% of the discount outlet buyers reported film sales have jumped in conjunction with the disc camera. Disc cameras are produced by 20 manufacturers (48 models), according to the Photo Marketing Association.

The disc camera introduction has had some expected and some unexpected effects on other camera lines as well. Not surprisingly, more than 50% of the buyers said that sales dropped for the pocket, 110 model cameras. The 110 camera, however, is still a viable market for photo retailers, who had previously predicted that the 110's would become extinct shortly after the discs were introduced.

Instant-picture cameras, though, may have had the most problems with the disc camera, the *CSA* survey indicates. About 70% of the buyers said instant camera sales have dropped since the introduction of the discs.

On the other hand, low-end, 35mm auto-focus cameras have profited from the increased consumer interest generated by the disc lines.

About 60% of the buyers surveyed said auto-focus sales have increased since the disc cameras stormed the market. And as in the case of the K mart clerk, some buyers say camera department personnel have been encouraged to trade up potential disc camera buyers to 35mm snapshooters. Among department store buyers, 57% said the salesmen are encouraged to trade up customers, compared with 38% for discounters.

While clerks often compare the 35mm's superior print quality when trading up shoppers, 51% of the buyers surveyed said there were no complaints regarding disc camera quality—in fact, only 5% said the disc camera returns were higher than other camera lines.

Kodak's obvious market dominance is reflected in the survey. Almost 85% of those asked named a Kodak disc model (3000, 4000 or 6000) as the top-selling disc camera. When asked to name the best-selling disc cameras other than Kodak, Minolta, Ansco and Keystone models showed strength.

Disc gross margins were relatively low in all retailing segments. The average gross margin for department, discount and variety stores was 17.4%. Department store buyers reported the highest gross margins (19.5%), followed by discount stores (16.3%) and variety outlets (15.9%).

The margins coincided with the pricing differentials. For example, the average price for a disc camera in a department store was $41.58 compared with $36.74 in a discount outlet. The average price among all retailing segments was $37.42. □

Buyers name Kodak as best-selling disc camera

Brand	Total	Department store	Discount store	Variety store
Kodak 4000	45%	57%	38%	38%
Kodak 3000	31	23	38	31
Kodak 6000	8	10	9	—
Minolta Disc 5	3	3	3	—
Ansco HR 30	3	—	6	—
Keystone 1050	3	3	3	—
Ansco HR 20	2	—	—	15
Others	1	3	—	—
Don't know/no answer	1	—	—	8

Figures do not equal 100% due to rounding.
Source: *Chain Store Age*-Lebhar-Friedman Research

Soft goods increases sales percentage

Last year was supposed to be the year of the durable goods, but according to the Bureau of Labor Statistics, soft lines increased its share of the relative weighting of total store sales.

Soft lines increased its index weighting to 70.21% vs. 69.97% of a year earlier despite a 3.1% average price inflation. Durables shrank from 25.15% to 24.95% with a 1.9% inflationary increase.

Overall, the stability of the LIFO inflation index on inventories compared to 1982 meant another year of LIFO credits. Sears, for example, recorded a $14 million net credit for the full year, compared with a $13 million credit in '82.

Changes in LIFO department store index

Item	Index weight Jan. '84	Index weight Jan. '83	12 months through Jan. '84	12 months through Jan. '83
Piece goods	0.85%	0.93%	−2.2%	+3.7%
Domestics/draperies	10.57	10.62	+2.3	+4.2
Women's/children's shoes	2.34	2.41	−0.2	+1.3
Men's/boys' shoes	0.52	0.52	+2.4	+0.7
Infants' wear	3.53	3.59	+1.1	+4.5
Women's underwear	5.79	5.63	+5.6	+5.0
Women's/girls' hosiery	1.60	1.54	+4.1	+3.1
Women's/girls' accessories	2.46	2.48	+1.6	+3.5
Women's outerwear/girls' wear	14.01	13.96	+3.0	−1.2
Men's clothing	5.88	5.90	+2.4	+2.3
Men's furnishings	5.09	5.15	+1.6	+4.6
Boys' clothing/furnishings	2.16	2.12	+4.5	+4.7
Jewelry	4.52	4.53	+2.4	−1.8
Notions	2.73	2.79	+0.5	+9.5
Toiletries/drugs	8.21	7.83	+7.7	+7.7
Furniture/bedding	8.25	8.28	+2.3	+1.5
Floor covering	2.24	2.16	+6.5	+3.8
Housewares	10.23	10.32	+1.8	+2.7
Major appliances	1.85	1.90	+0.2	+3.0
Radio/TV sets	2.39	2.49	−1.6	+0.6
Miscellaneous	4.84	4.88	NT	NT
Total soft goods	70.21	69.97	+3.1	+3.0
Total durables	24.95	25.15	+1.9	+1.9
Total store	100.00	100.00	+2.7	+2.8

NT: Not tracked
Source: Bureau of Labor Statistics

N.Y. Post/Lotta 1984

Fabric chain makes crafty venture

While crafts go hand in hand with sewing, they apparently don't mix as well with toys, eyeglasses, keys or cookies. This reasoning prompted Cleveland specialty retailer Cole National Corp. to sell its Craft Showcase stores to Los Angeles-based House of Fabrics.

Cole National, which operates Child World/Children's Palace optical departments at Sears and Montgomery Ward, The Original Cookie Company and the Key Shop, reported 1983 sales in excess of $600 million. "But the Craft Showcase chain accounted for only about 3% of '83 sales," says Cole president Jeffrey Cole, "and no longer fits our long-term growth strategy."

For fabric specialist House of Fabrics, the 35-store national craft chain is a welcome addition to its already growing craft business. Currently about 225 of House of Fabrics' 685 fabric stores have craft departments. "We think about 30%-40% of all fabrics we sell go to nonapparel projects," says a House of Fabrics spokesman.

He's not Don Ho, but Walton hulabrates '83

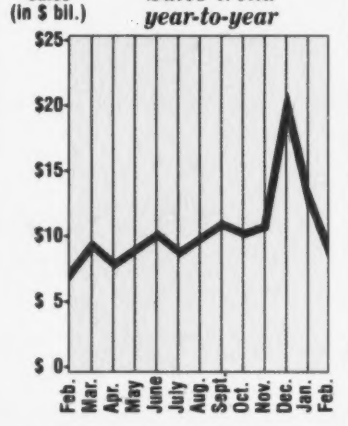
The frigid winds of Wall Street rather than the balmy breezes of Waikiki greeted Wal-Mart chairman Sam Walton last month as he hula-danced his way up the financial corridor in blustery 29-degree weather.

Walton fulfilled a pledge to employees to dance if the discount chain returned 8% pretax profit on its 1983 sales of $4.67 billion. In 1982, Wal-Mart posted a 6.7% pretax margin. Net profit rose 58.1% for the year to $196.2 million on the 38.2% sales increase.

Traditionally weak February leaps

Tradition took a beating at the hands of continued strong consumer spending as normally weak February delivered a 16% monthly sales increase for the 25 chains tracked by *Chain Store Age*. All but 4 of the GMers reported double-digit jumps.

Rebounding Montgomery Ward paced the Big 3 catalog chains, posting a 20.2% February gain, its best monthly increase since April 1981. Same-store results leaped a giant 22.4%. Mid-Atlantic stores, along with Detroit, Chicago and Oakland



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

units, led the way with TVs, cameras, microwaves, jewelry and ladies' and girls' fashions the big winners.

J. C. Penney reported a 21.2% sales hike, excluding results for discontinued hard lines in 1983, and showed an overall increase of 19%, while Sears' United States and Canadian volume rose 9.7%.

Department stores boasted the strongest gains, with Associated Dry Goods' totals up 30% and Macy's reporting an increase of 24.7%. Carter Hawley Hale same-store sales jumped 19%, and Allied charted a 12.5% comparable-store hike.

Minneapolis-based Dayton Hudson kept pace with a 24.4% overall increase, including a 23% hike for Mervyn's and a 31% jump for its Target discount division. Dayton Hudson president/ceo Kenneth A. Macke noted that "February sales gains were healthy, particularly considering that it followed a 22% improvement recorded in February 1983."

Strong performers among the discounters were Rocky Hill, Conn.-based Ames with a 23.2% comparable-store increase, Braintree, Mass.-based Bradlees with a 20% same-store hike, and Bentonville, Ark.-based Wal-Mart with a 17% same-store increase.

K mart came off a weak January performance with an overall jump of 11.2%, but continued to lag behind the pack. However, K mart chairman Bernard M. Fauber reported women's apparel increases at twice the store average.

Double-digit jumps brighten sales picture

Major chains	% change	February sales* 1984	February sales* 1983	Stores 1984	Stores 1983	1-mo. sales 1984	1-mo. sales 1983	% change
Sears[1,6]	+ 9.7	1,620,384	1,477,298	886	902	1,620,384	1,477,298	+ 9.7
Penney	+ 19.0	675,000	567,000	2,013	2,055	675,000	567,000	+ 19.0
Ward[1]	+ 20.2	385,426	320,647	368	386	385,426	320,647	+ 20.2
Federated[5]	+ 14.9	466,700	406,100	404	410	466,700	406,100	+ 14.9
Dayton Hudson	+ 24.4	430,589	346,111	1,082	980	430,589	346,111	+ 24.4
May Dept. Stores	+ 15.7	256,600	221,700	1,598	1,477	256,600	221,700	+ 15.7
R. H. Macy	+ 24.7	281,000	225,400	103	103	281,000	225,400	+ 24.7
Allied Stores	+ 15.3	243,200	210,900	520	535	243,200	210,900	+ 15.3
Carter Hawley Hale	+ 23.1	248,100	201,500	1,082	1,031	248,100	201,500	+ 23.1
Associated Dry Goods	+ 30.0	218,100	167,800	321	247	218,100	167,800	+ 30.0
Mercantile	+ 15.4	93,089	80,644	77	85	93,089	80,644	+ 15.4
K mart	+ 11.2	1,103,322	991,986	2,158	2,118	1,103,322	991,986	+ 11.2
Woolworth	+ 6.9	325,887	304,726	N/A	N/A	325,887	304,726	+ 6.9
Wal-Mart	+ 42.0	328,000	231,000	648	558	328,000	231,000	+ 42.0
Household Merch.[2,3,5]	+ 3.6	392,471	378,792	3,789	3,919	392,471	378,792	+ 3.6
T.G. & Y.	+ 5.8	136,605	129,145	801	891	136,605	129,145	+ 5.8
Zayre[4]	+ 29.6	151,742	117,084	755	628	151,742	117,084	+ 29.6
Bradlees	+ 46.3	73,300	50,100	127	106	73,300	50,100	+ 46.3
Murphy	+ 11.5	54,584	48,941	403	422	54,584	48,941	+ 11.5
Rose's	+ 19.4	57,321	47,987	193	237	57,321	47,987	+ 19.4
Heck's	+ 2.9	28,000	27,200	122	119	28,000	27,200	+ 2.9
Jamesway	+ 24.9	21,840	17,491	78	68	21,840	17,491	+ 24.9
Melville	+ 23.5	253,034	204,949	5,735	5,488	253,034	204,949	+ 23.5
Tandy	+ 16.0	210,700	181,696	N/A	N/A	210,700	181,696	+ 16.0
Edison Bros.	+ 14.1	73,026	63,984	2,200	2,159	73,026	63,984	+ 14.1
The Gap	+ 29.3	29,100	22,500	548	549	29,100	22,500	+ 29.3
Totals & Averages	**+ 16.0**	**8,020,515**	**6,913,536**	—	—	**8,020,515**	**6,913,536**	**+ 16.0**

'000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,773 franchise stores (vs. 2,816 a year ago). [3]Includes T.G. & Y. sales. [4]Includes 275 Zayre stores (vs. 264 a year ago), 362 Hit or Miss stores (vs. 278) and 118 T. J. Maxx stores (vs. 86). [5]Excludes supermarket sales. [6]Includes results from Simpson-Sears.

Woolworth upgrades debt rating

F. W. Woolworth Company's senior debt rating was upgraded by Moody's from Baa2 to Baa1, effective February. Improved earnings prospects and increased liquidity, brought about by the closure of U.S. Woolco and the sale of the British division, were the reasons given for the upgrade.

Although eligible for more favorable rates on long-term debts, the company is currently reducing borrowing needs. Last year, long-term debt declined approximately $40 million, according to Roy Garofalo, vp/investor relations. Cash in short-term investments dropped about $150 million for the same period, and Woolworth once again ended the fiscal year with no short-term debt.

Housewares

F.W. Woolworth

Chain Store Age

MERCHANDISE EDITION

May 1984

RESHAPING HOUSEHOLD MERCHANDISING

Bernard Brennan
Pres./CEO

0021702C GM
MR CHRISTOPHER HENLY
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BETHESDA MD 20814

TWO DOLLARS PER ISSUE

IN THIS ISSUE

Woolworth brings variety to specialists

FWW has already parlayed the acquisition of the Kinney Shoe Co. into four distinct specialty store divisions 27

Rose's Stores heat up Southern markets

Now that it knows it's a discount store organization, Rose's image—and its bottom line—are giving rivals a run for their money ... 39

Domestics sales thrive on sales

In a recent *CSA*/Leo Shapiro consumer survey, nearly two-thirds of shoppers bought their last domestics purchase on sale 56

Industry News

Household Merchandising: taking new shape under Bernard Brennan ... 19
Hess's brings big-town glitter to small-town markets 25
Pennington on Planning: early markdowns 75

Consumer Electronics

Enchanted Village an enchanting new retail venture 45
TV's future still in the future 46
RCA exit threatens videodisc sales 48
Videotape rentals: are vending machines next? 48

Housewares

Industry set for major off-price move 51
K mart's Accents combines beauty and bulk 52

Toys

Specialty retailing right on target 54

Licensing

Choosing a license is risky business 76

Sporting Goods

Great outdoors fuels stable sales 64

Home Office/Stationery

3-D cards see the light—or do they? 69
Home computer accessories find a new home 70

Touche Ross is not included in this issue; it will appear next month. Those readers who need this installment will not be penalized in their course fulfillment.

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Limited, Rose's, K mart, Zayre, Ward lead profit charge

Store	4th quarter (000 omitted) '82	'83	% change	Full year (000 omitted) '82	'83	% change
Penney[3]	234,000	260,000	+ 11.1	430,000	467,000	+ 8.6
Sears[1,2]	311,600	406,800	+ 30.6	455,900	654,300	+ 43.5
Ward	16,000	53,000	+231.2	(93,000)	40,000	—
Subtotal	561,600	719,800	+ 28.2	792,900	1,161,300	+ 46.5
K mart	165,200	248,600	+ 50.5	261,800	492,300	+ 88.0
G. C. Murphy	6,931	7,243	+ 4.5	11,744	18,408	+ 56.7
Rose's	7,328	10,142	+ 38.4	11,559	21,886	+ 89.3
SCOA (Hills)	23,626	27,913	+ 18.1	36,084	41,812	+ 15.9
Wal-Mart	55,500	84,600	+ 52.4	124,100	196,200	+ 58.1
Woolworth[3]	70,000	81,000	+ 15.7	82,000	118,000	+ 43.9
Zayre	18,793	28,311	+ 50.6	35,176	61,426	+ 74.6
Subtotal	347,378	487,809	+ 40.4	562,463	950,032	+ 68.9
Allied	70,544	80,113	+ 13.6	90,659	128,471	+ 41.7
Associated Dry Goods	64,529	80,424	+ 24.6	78,414	115,520	+ 47.3
Carter Hawley Hale	37,293	50,945	+ 36.6	49,025	67,485	+ 37.7
Dayton Hudson[3]	117,520	141,859	+ 20.7	198,368	243,187	+ 22.6
Federated[4]	142,400	172,700	+ 21.3	232,776	338,342	+ 45.4
May Co.	82,900	100,400	+ 21.1	141,700	187,000	+ 32.0
Mercantile	34,304	38,496	+ 12.2	69,941	83,222	+ 19.0
Subtotal	549,490	664,937	+ 21.0	860,883	1,163,227	+ 35.1
Cole National	14,324	17,985	+ 25.6	12,720	17,665	+ 38.9
Oshman's	5,702	7,468	+ 31.0	7,091	10,303	+ 45.3
Toys "R" Us	52,481	73,786	+ 40.6	64,162	92,317	+ 43.9
Subtotal	72,507	99,239	+ 36.9	83,973	120,285	+ 43.2
The Gap	10,491	10,750	+ 2.5	18,216	21,607	+ 18.6
The Limited	13,411	24,296	+ 55.2	33,592	70,939	+111.2
Miller Wohl	6,467	6,213	— 3.9	16,471	16,530	+ 0.4
Subtotal	30,369	41,259	+ 35.9	68,279	109,076	+ 59.8
Total	1,561,344	2,013,044	+ 28.9	2,368,498	3,503,920	+ 47.9

[1]Consolidated operations only. [2]U.S. merchandising only. [3]Continuing operations only. [4]Includes unusual items.
( ) indicates loss

Source: *Chain Store Age* research

Consumer spending gains boost 1983

Bolstered by the continued strength of consumer spending and their own success controlling expenses, the nation's general merchandise chains recorded solid profit gains for both the fourth quarter and the full year. The 23 companies tracked by *CSA* boosted fourth-quarter earnings 28.9% and full-year profits 47.9%.

Discount/variety chains led the pack, with a 68.9% increase in profits, but all segments of general merchandise retailing showed strength. Only five of the 23 companies increased their profits less than 20%.

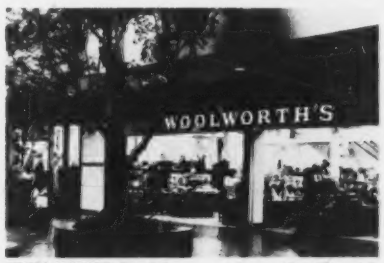
Surges in consumer spending early in the holiday season left most retailers with little need to discount and promote heavily late in the fourth quarter. As a result, gross margins, which have been climbing steadily since the end of 1982, increased in both the fourth quarter and the full year. J. C. Penney and F. W. Woolworth were among those reporting substantially higher gross margins. K mart upped its gross margin a full percentage point, to 27.7%, as the chain's remerchandising efforts continued to bear fruit.

The hefty profit gains most chains reported for the year were not solely the result of the economic upturn. Most large retailers learned their lessons well during the lean years, judging from the way the chains tracked by *CSA* succeeded in holding down their expenses and controlling the growth of inventories. Zayre reduced its S.G.&A. 1.3%. Montgomery Ward trimmed $100 million in expenses and returned to profitability a year ahead of most expectations. Wal-Mart, meanwhile, kept its inventories lean, increasing inventory costs just 13% in a year when sales grew 38.2%.

Riklis planning bid for Woolworth?

Meshulam Riklis, the financial wizard whose Rapid-American Corp. owns McCrory Stores, may be setting his sights on F. W. Woolworth.

Persistent industry rumors suggest that Riklis sees Woolworth as an attractive property and has quietly been acquiring the company's stock, although at presstime Riklis had not filed with the Securities and Exchange Commission in connection with any major purchases of Woolworth shares. Such a filing is necessary when an investor acquires a 5% or greater interest in a company.



***Will FWW** find its way into the Rapid-American family?*

Woolworth's variety stores and specialty retailing divisions would fit in nicely with Riklis' retail holdings, which include the McCrory variety store chain, Lerner Stores and OTASCO, a chain of automotive and home accessories stores. Moreover, say some securities analysts, Woolworth may be vulnerable to a takeover bid. Top management does not control a sizable block of stock, and Woolworth shares have been trading at low prices.

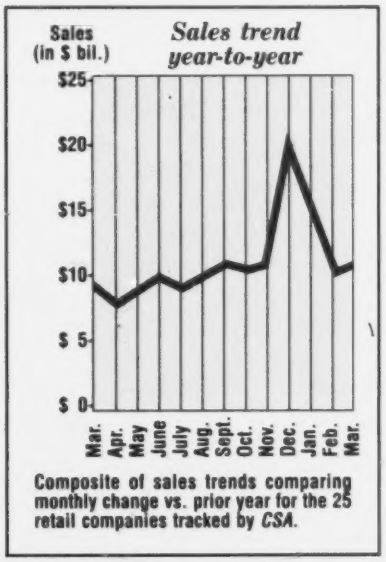
A brilliant but often controversial figure in the financial world, Riklis acquired McCrory in 1976, when the company's variety stores showed an operating profit of just $8.9 million. In fiscal 1983 a leaner, more aggressive McCrory's generated variety store profits estimated at $70 million.

A spokesman for Woolworth said the company was unaware of any major purchases of its stock by Riklis. Key executives at Rapid-American, including Riklis himself, were unavailable for comment.

Lion-like March logs lamblike sales

March weather that both came and went like a lion combined with a late Easter to produce decidedly weak sales for the 25 chains tracked by *Chain Store Age*. The 5.5% monthly sales increase marked the first time in 11 months the GMers did not post double-digit gains and the lowest overall hike since October 1982.

Montgomery Ward bucked the trend and paced the Big 3 catalog chains, showing an increase of 10.5%, its 16th consecutive monthly gain. Sales leaders were electrical and major appliances; apparel lagged behind last year's totals.



Composite of sales trends comparing monthly change vs. prior year for the 25 retail companies tracked by *CSA*.

J. C. Penney posted a 7.7% hike, with same-store results rising 8.4%. Sears, including its Canadian Simpson-Sears subsidiary, reported a 2.4% increase.

Department stores remained the strongest category, led by Carter Hawley Hale's 18% gain overall and a 19% comparable-store increase in its department store divisions. Minneapolis-based Dayton Hudson kept pace with a 13.3% rise, including a 26% increase for Mervyn's and a 12% gain for its Target discount division.

Discounter Wal-Mart was the month's big winner with a whopping 47% jump. The March totals were notable, since they came off a 25% increase for the previous year. Same-store results for the current two-month fiscal year show a healthy 20% gain.

K mart, the nation's largest discounter, came off a promising 11.2% February increase with a disappointing March, reporting sales static against the year before and showing a 1.7% drop in same-store results.

F. W. Woolworth showed strength in its domestic *J. Brannam, Richmond Bros. and Kinney subsidiaries, but foreign operations remained plagued by unfavorable exchange rates.

Henderson, N.C.-based Rose's, while posting an 8.5% increase, probably suffered the most from the month's stormy weather. They reported two North Carolina units lost to tornadoes.

Easter-less March reins in sales

Major chains	% change	March sales 1984	March sales 1983	Stores 1984	Stores 1983	2-mo. sales 1984	2-mo. sales 1983	% change
Sears[1,6]	+ 2.4	2,163,022	2,113,302	885	902	3,783,407	3,590,600	+ 5.4
Penney	+ 7.7	940,000	873,000	2,016	2,045	1,615,000	1,440,000	+ 12.2
Ward[1]	+ 10.5	516,049	466,879	367	386	901,474	787,526	+ 14.5
Federated[1]	+ 4.7	640,400	611,500	424	390	1,107,800	1,017,600	+ 8.9
Dayton Hudson	+ 13.1	633,191	559,651	1,089	1,003	1,063,807	905,762	+ 17.4
May Dept. Stores	+ 3.5	365,400	353,100	1,609	1,490	622,200	574,800	+ 8.2
R. H. Macy	+ 5.7	339,300	320,900	93	92	620,100	546,300	+ 13.5
Allied Stores	+ 1.6	314,000	309,200	573	542	557,400	520,100	+ 7.2
Carter Hawley Hale	+ 18.0	330,700	280,200	1,094	1,034	578,400	481,700	+ 20.1
Associated Dry Goods	+ 11.9	310,400	277,300	323	250	528,600	445,100	+ 18.8
Mercantile	+ 5.3	125,408	119,087	78	85	218,497	199,731	+ 9.4
K mart	− 0.2	1,548,460	1,550,891	2,042	2,005	2,651,782	2,542,877	+ 4.3
Woolworth	− 0.4	441,039	442,660	N/A	N/A	767,016	747,385	+ 2.6
Wal-Mart	+ 47.0	438,000	298,000	654	558	766,000	529,000	+ 44.8
Household Merch.[2,3]	− 2.1	483,429	493,875	3,780	3,919	878,550	872,763	+ 0.7
T.G. & Y.	+ 8.6	172,966	159,305	793	897	309,571	288,450	+ 7.3
Zayre[4]	+ 7.0	242,927	227,120	764	640	394,669	344,204	+ 14.7
Bradlees	+ 20.6	95,200	78,900	128	107	168,500	129,000	+ 30.6
Murphy	− 6.9	71,869	77,164	404	420	126,453	126,105	+ 0.3
Rose's	+ 8.5	57,151	52,691	191	237	114,472	100,678	+ 13.7
Heck's	− 0.5	39,700	39,900	122	119	67,700	67,100	+ 0.9
Jamesway	− 4.1	29,855	31,141	79	68	51,696	48,632	+ 6.3
Melville	+ 0.4	353,324	351,784	5,754	5,517	606,358	556,733	+ 8.9
Tandy	+ 7.3	222,506	207,379	N/A	N/A	433,206	389,075	+ 11.3
Edison Bros.	+ 3.8	71,896	69,237	2,175	2,169	144,922	133,221	+ 8.8
The Gap	− 4.4	35,100	36,700	553	554	64,200	59,200	+ 8.4
Totals & Averages	**+ 5.5**	**10,808,326**	**10,241,561**	—	—	**18,832,209**	**17,155,192**	**+ 9.8**

*000 omitted. N.C. = no change. N/A = not available.
[1]Store number for full-line outlets only. [2]Includes 2,771 franchise stores (vs. 2,816 a year ago). [3]Includes T.G. & Y. and Von's sales. [4]Includes 276 Zayre stores (vs. 265 a year ago), 367 Hit or Miss stores (vs. 288) and 121 T. J. Maxx stores (vs. 87). [5]Excludes supermarket sales. [6]Includes results from Simpson-Sears.

Macy's aims for $8B in sales by 1990

R. H. Macy plans to double its volume and boost sales per square foot nearly 60% over the next six years. The company believes it can achieve those goals while keeping its pretax profit margins between 10% and 11%.

If all goes according to its strategic plan, Macy's will record about $8 billion in sales during fiscal 1990, up from the $3.9 billion the company did in the 12 months ended March 31. Productivity gains in existing stores will account for much of that added volume. The company is projecting that same-store sales will increase at least 8% each year.

"In 1982 and 1983 we averaged 13.5% store-for-store growth, so 8% is a conservative call-out," says chairman/ceo Edward Finkelstein.

Consumer Electronics Report

Chain Store Age

GENERAL MERCHANDISE EDITION June 1984

THE TOP 100 CHAINS

CONSUMER ELECTRONICS REPORT
4920 EAST WEST HWY
BETHESDA MD 20814
C0217020 Gw
MS CHRISTOPHER HENLEY

TWO DOLLARS PER ISSUE

IN THIS ISSUE

State of the Industry

The top 100 general merchandise chains witnessed a 13.3% sales increase in 1983, while the nation's Top 15 retailers benefited from a hefty 42% increase in their profits. For the hard lines specialty stores, sales were up 21.2% 35

Software: the band plays on

While most analysts are predicting over $2 billion in sales for home computer software in 1984 and an even rosier future, at least one software manufacturer thinks retailers and manufacturers should brace for an industry that will soon mature 101

Industry News

Sears advances with stores of the future 51
Department program boosts net sharply 52
Fashionability is the key at No. 3 54
Dept. stores lead Federated to record '83 57
Target, Mervyn's growth boosts company sales 60
Ward turns profit a year ahead of schedule 65
Specialty chains shore up Woolworth 66
Another record year at Wal-Mart 70
Gains in all divisions propel May's earnings 72
ADG is poised to grow even higher 74
Profitable but still disappointing results 79
Store improvements net improved results 80
Is the cure worse than the disease? Earnings soar for Sunbelt discounter . 82
Mart emphasis boosts profits; Toy chain is sales leader 84
National borders won't stop growth; Topping the billion-$ mark 86
Sales and income hit new highs; McCrory stresses high-volume stores ... 89
Best booms to $2 billion-plus sales; Field's, Saks spur 31% income gain ... 90
Apparel, toys lead sales and profits; Established stores' gains boost profits 92
DIY stores offer greatest growth; Hefty net from modest sales gain 95
New stores push up sales, profits; New units help hike earnings 87% 96
Allied profits back on track; Radio Shack tunes in computer profit 98

Consumer Electronics

Please squeeze the software 102
Compact discs ready to play 106
Auto dealers lead car stereo sales 107
Discounters selling rack stereo setups 110
Cassettes outplay record sales 114
3rd video format joins VCR fray 119
VCR tapes outsell video recorders 123

Classified Mart 146

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NEWSVIEW

***Brud Bispham,** advertising supervisor, home furnishings dept., Du Pont, receives Olympics tickets from Michael Bailenson, CSA publisher. Bispham won the round-trip in a recent CSA advertisers' contest.*

Off-pricers lead way in TV ads

Off-price retailers were among the fastest-growing television advertising categories in 1983, according to the New York-based Television Bureau of Advertising (TBA). TV advertising expenditures for the apparel discounters topped an estimated $26.6 million, a 70% increase over the $15.7 million spent in 1982.

Leading television advertiser in the off-price field was New Jersey-based Burlington Coat Factory with TBA-estimated spending of $5,195,400, a 72% jump from 1982 expenditures of $3,028,600.

Other leaders were Melville subsidiary Marshall Inc., at $4,492,400, up 76%, and Hercules division Kuppenheimer Factory Stores.

TV budgets soar at Plums, Brannam

	1982	1983	% change
Burlington Coat Factory	$3,028,600	$5,195,900	+ 72
Marshall Inc. (Melville)	2,547,700	4,492,400	+ 76
Kuppenheimer Factory Stores (Hercules)	2,501,700	4,472,200	+ 79
T. J. Maxx (Zayre)	1,616,200	1,838,300	+ 14
Shoe Town (Felsway)	863,500	1,622,900	+ 88
J. Brannam (Woolworth)	261,600	1,612,200	+ 516
National Brands Outlet	1,035,800	1,526,300	+ 47
Syms	1,610,300	1,514,100	– 6
Linen's 'n Things (Melville)	655,200	1,102,100	+ 68
Plums (Dayton Hudson)	11,400	834,800	+7,223
Front Row (U.S. Shoe)	—	614,900	—
Fashion Gal (Apparel Industries)	413,300	378,400	– 8
Ross Stores	—	306,700	—
Dress Barn	137,600	236,800	+ 72
Filene's Basement (Federated)	356,600	200,600	– 44

Source: Television Bureau of Advertising, from analysis of Broadcast Advertisers Reports data

In comparison, local TV advertising by clothing stores rose 21% in 1983, while department and shoe store broadcast ads were each up 16% over 1982.

*J. Brannam president Ted Bierman, whose Woolworth division posted a 526% increase in 1983, confirms television's vital role in the off-pricer's media mix.

"We consider the electronic medium important to our business and have slanted more of our advertising into it," says Bierman.

INDIANA JONES

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J. B. Stetson Company (212) 223-1218
Lee Company, a Division of Lee Byron Corp. (212) 244-4440
Uniprints, A Division of Union Underwear Company, Inc. (502) 781-6400
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HOME TEXTILES
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King-Seeley Thermos Company (203) 887-1671

PREMIUM/PROMOTIONS
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Procter & Gamble (513) 562-2497
Seven-Up U.S.A., Inc. (314) 889-7777

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Disneyland-Buena Vista Records (818) 840-1000
Marvel Comics Group (212) 696-0808
Polygram Records (212) 399-7100
Paradise Press (203) 426-0400
Random House, Inc. (212) 751-2600

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American Publishing Corporation (617) 926-1800
Faber-Castell Corporation (201) 484-4141
Sales Corporation of America (415) 896-0707
Stuart Hall Company, Inc. (213) 724-4061
Topps Chewing Gum, Inc. (212) 768-8900

TOY AND JUVENILE PRODUCTS
Bradley Time Company (212) 243-0200
LJN Toys (212) 243-6565
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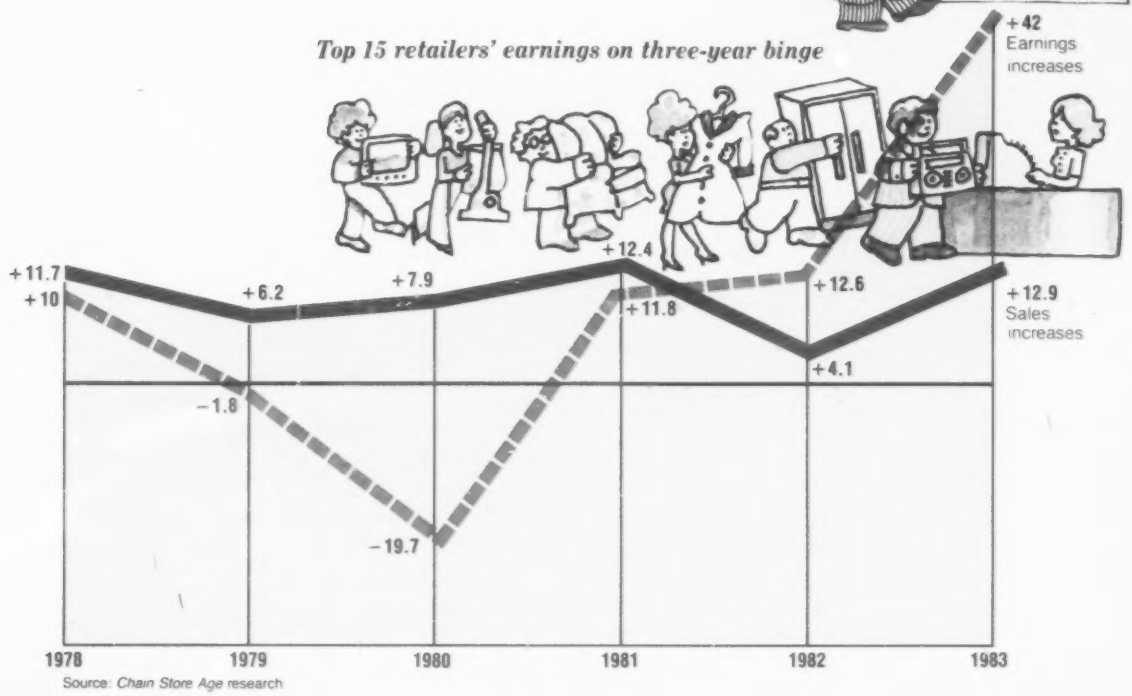
Atari, Inc. (408) 745-2000

STATE OF THE INDUSTRY



Source: *Chain Store Age* research

1983 was a very good year, but . . .

Retailing profits continued their three-year surge in 1983, but the buoyant days are being tempered in '84 by anxiety over prospects for the economy's continued vitality, and by distraction from executive turnover and acquisition activity.

For the second straight year, earnings gains at the Top 15 general merchandise retailers tripled sales increases. Unlike the previous year, when sales inched up just 4.1% and earnings pulled ahead by 12.6%, 1983 produced robust results. Sales for the Top 15 jumped 12.9%, while earnings soared a lofty 42%. Earnings-to-sales climbed a full 1.6% to 3.9%, the highest it has been in more than 10 years.

Indicators continued to show healthy signs for 1984. Sears reported a sevenfold increase in merchandise earnings for the first quarter, while crosstown rival Montgomery Ward narrowed its loss from $19 million down to $4 million. Woolworth quadrupled profits to $4 million. The Limited garnered a 37.4% increase to $13.6 million.

The industry has been jolted almost daily by the battle between CHH and The Limited.

The 25 companies tracked by *Chain Store Age* each month have logged a 12.3% increase during the first quarter, a harbinger of an expected strong year. *CSA* predicts that the Top 100 retailers, coming off a 13.3% increase, will rack up at least 12% improvement in '84, though forecasters are warning that earnings gains will be harder to come by late in the year and into the first part of '85.

This year will not be without tumult. Already the industry has been jolted almost daily by the battle between Carter Hawley Hale and The Limited over the former's independent existence.

Morever, F. W. Woolworth has been longingly looked at by Meshulam Riklis. He has a 3% share of Woolworth stock and may be readying a move to acquire the company and transform his No. 2 variety chain, McCrory, into No. 1.

At the same time, G. C. Murphy has found that 7.51% of its stock is owned by Arveron Investments.